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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Billed Party Preference)
for 0+ InterLATA Calls)

CC Docket No. 92-77

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REPLY COMMENTS OF BELL ATLANTIC

The comments filed on August 1 confirm Bell Atlantic's¹ conclusion--that the real and certain costs of billed party preference far outweigh its speculative benefits. On the more complete record of the comment round, the costs of billed party preference have risen to approximately \$2 billion² from the \$1.1 billion figure in the Further Notice.

The comments have also demonstrated that one of the two economic benefits postulated in the Further Notice simply will not be achieved in real life. Operator service providers will not reduce their rates because they no longer pay commissions to aggregators--they will merely re-direct their spending to other marketing and promotional efforts, such as media advertising.³

Moreover, the comments do nothing to undercut Bell Atlantic's contention that the other economic benefit--the elimination of OSP price gouging--could be attained at no cost

¹ The Bell Atlantic telephone companies serving New Jersey, Pennsylvania, Delaware, Maryland, Virginia, West Virginia and the District of Columbia.

² See Further Notice at 42 and Ameritech at Att. A; Bell Atlantic at 12-13; BellSouth at Apps. A & B; GTE at Att. A; NYNEX at 8-13, Atts. C, C-1 & D; Southwestern Bell at Atts. A & B.

³ E.g., AT&T at 16-17; Teltrust at 9-10; Oncor Communications at 11.

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whatever to the public. All the Commission need do is to add a sentence to its Rules to require that OSPs receiving calls on a presubscribed basis may not charge rates for those calls that are greater than the rates of the dominant interexchange carrier. In fact, such a rate cap would be of greater benefit to consumers than billed party preference because it could be put into place immediately, without waiting the three years it would take the industry to deploy billed party preference.

GTE attempts to reduce the cost of billed party preference by claiming that it can be successfully implemented without installing OSS7 technology at the end office, an arrangement that would decrease GTE's estimated billed party preference cost by almost \$100 million.⁴ This is not the case, at least for Bell Atlantic. Today, Bell Atlantic uses SS7 signaling throughout its network and delivers 0+ interLATA calls to interexchange carriers with that signaling. The arrangement proposed by GTE would require Bell Atlantic to take a technological step backwards and to use older MF signaling within its own network. This would increase call set-up time over that which customers now enjoy.

Other proponents of billed party preference look to a benefit that the Commission had not identified. They claim that billed party preference would be easier to enforce than the requirements of TOCSIA because billed party preference would be

⁴ GTE at 12 & Att. A.

provided through the network.⁵ This contention ignores the fact that even with billed party preference aggregators could program their premises systems to direct calls to their selected carriers, giving the Commission the same enforcement challenge it faces today under TOCSIA.

Many billed party preference proponents invite the Commission simply to approve billed party preference now and leave the cost-recovery questions for another day.⁶ Given the magnitude of the costs of billed party preference, the Commission must deal with these issues at the same time that it decides whether to mandate the service. The Commission cannot rationally decide whether it would be in the public interest for carriers to invest \$2 billion without considering how that investment is to be recovered and who, ultimately, will foot the bill. It would be irresponsible to defer those issues to a later proceeding.

As Bell Atlantic showed in its comments, the costs of billed party preference would be exogenous costs for price cap carriers because those costs would be beyond the carriers' control, incurred solely because of Commission orders.⁷ MCI does not seem to dispute the exogenous nature of billed party preference costs.⁸ Rather, it argues that these exogenous costs should be "offset by the [1+] equal access costs already

⁵ MCI at 3 n.2; NASUCA at 3.

⁶ E.g., Sprint at 42-43.


⁷ Bell Atlantic at 18 & n.37.

⁸ MCI at 7 n.5.

reflected in price cap LEC rates." The Commission's rules, of course, do not contemplate any "offsets" of this nature. Moreover, this claim makes no sense, as those costs are the endogenous costs of network upgrades that were underway before price cap regulation was implemented and have no relation to costs for an entirely new capability.

For all these reasons and those in Bell Atlantic's comments, Bell Atlantic strongly urges the Commission not to require billed party preference.

Respectfully submitted,


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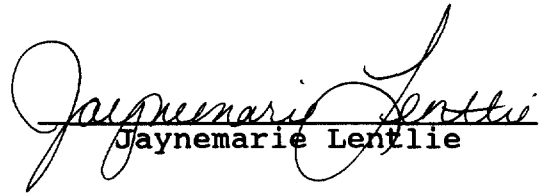
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Reply Comments of Bell Atlantic" was served this 14th day of September, 1994, by first class mail, postage prepaid, on the parties on the attached list.


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